## Changes in shopping trends

The bloom is off department store beauty aisles.

While still the most frequented outlet for women's beauty aids, their share of cosmetics, skincare and fragrance shoppers is declining. An *Advertising Age*/Gallup Organization survey of 1,012 adults found 19% of women have changed their shopping patterns for such products in the past two years, with department stores losing the most customers.

GALLUP SURVEY

Thirty percent of those women who have started to shop elsewhere for beauty aids cite department stores as their primary source today, down from 38% just two years ago.

The news is better for large discount stores, cosmetic specialty stores, drugstores, supermarkets and mail-order/distribution companies, which all gained up to 3% more beauty aids shoppers.

Quality is the driving force behind beauty aids purchasing decisions for 67% of women—significantly more than the 55% of men who cite quality as the most important factor for grooming products. Price comes in a distant second, with 19% of women and 22% of men citing that as most important.

*—Adrienne Ward*

**Where do you buy toiletries?***

| | Women | Men |
|---|---|---|
| Department store | 31% | 14% |
| Drugstore | 23 | 19 |
| Large discount store | 16 | 21 |
| Mail order/distributor | 10 | 3 |
| Supermarket | 8 | 32 |
| Cosmetic specialty store | 6 | 2 |
| None of these | 4 | 4 |
| Any/all | 2 | 1 |
| Don't know | 1 | 5 |

**Has your primary source for such products changed in the past two years?**

| | Women | Men |
|---|---|---|
| Yes | 19% | 12% |
| No | 80 | 84 |
| Don't know | 1 | 4 |

**If you changed, where did you shop for toiletries two years ago?***

| | Women | Men |
|---|---|---|
| Department store | 38% | 20% |
| Drugstore | 21 | 10 |
| Mail order/distributor | 12 | 2 |
| Large discount store | 10 | 18 |
| Cosmetic specialty store | 6 | 2 |
| Supermarket | 5 | 43 |
| None of these | 4 | 2 |
| Any/all | 1 | — |
| Don't know | 2 | 3 |

**If you changed, where do you shop for toiletries now?***

| | Women | Men |
|---|---|---|
| Department store | 0% | 18% |
| Drugstore | 22 | 20 |
| Mail order/distributor | 14 | 7 |
| Large discount store | 13 | 27 |
| Cosmetic specialty store | 8 | 3 |
| Supermarket | 7 | 25 |
| None of these | 3 | — |
| Any/all | 1 | — |
| Don't know | 1 | — |

**What's the most important factor when you buy toiletries?***

| | Women | Men |
|---|---|---|
| Quality | 67% | 55% |
| Price | 19 | 22 |
| Convenience | 4 | 11 |
| Service | 2 | 2 |
| Other factor | 3 | 1 |
| Don't know | 1 | 5 |
| None | 2 | 4 |
| Any/all | 3 | 1 |

*Represents cosmetics, skincare and fragrances for women; skincare, fragrance and shaving products for men.
Source: *Advertising Age*/Gallup Organization

# Department stores in fight of their lives

**By Laurie Freeman**

For prestige cosmetics and fragrances, there's more than one war going on right now.

The economic recession, Persian Gulf War and troubled department store environment have eroded consumers' enthusiasm for shopping. At the same time, marketers of upscale beauty aids also are facing competition from an increasing number of distribution outlets.

Specialty cosmetics and body-care boutiques such as The Body Shop, deep discount chains such as Cosmetics Center and specialty apparel shops like The Limited and Benetton all are eroding department stores' share of cosmetics and fragrance sales *(see story on Page 32)*.

"Consumers are aware of the deterioration of the selection of goods in department stores," says Carl Steidtmann, VP-chief economist, Management Horizons, a retail consultancy. "There are now plenty of other channels . . . for similar goods."

That shoppers are finding other outlets is evident in the results of a recent *Advertising Age*/Gallup Organization telephone survey of 1,012 adults, which indicates more and more consumers have been shop-hopping for beauty aids in the past two years.

The survey found 19% of women and 12% of men no longer shop in the same stores for beauty aids and grooming products as they did two years ago. Department stores are getting hit the hardest.

Thirty percent of those women who have changed shopping patterns for cosmetics, skincare and fragrances cite department stores as their primary source for such products, down from 38% two years ago. As for men, 18% of shop-hoppers frequent department stores today for skincare, fragrances and shaving products vs. 20% in 1989.

Other stores have benefited from the changes in consumer shopping patterns. Large discounters, cosmetic specialty stores, drugstores, supermarkets and mail-order/distribution companies all have gained up to 3% more shoppers since 1989.

## The distribution revolution

***Edited by Adrienne Ward***

There is further evidence of the troubles facing department stores and prestige cosmetics and fragrance brands: declining market share. In 1990, department stores accounted for a 19% share of estimated cosmetics sales of $2.5 billion (in manufacturers' dollars), down from a 24% share of $1.2 billion in 1986, says Prudential Securities analyst Andrew Shore.

During the same five-year period, drugstore cosmetic sales grew three percentage points to a 35% share.

Some prestige cosmetics lines are trying to curb the erosion by implementing new marketing and advertising strategies.

One of the more innovative attempts comes from prestige category leader Estee Lauder Cos., which is tapping into the growing environmental consciousness of consumers and going after younger women with its Origins Natural Resources division. Origins will open its first free-standing boutique in Boston in July and is expanding to additional department stores.

The products take a natural positioning similar to The Body Shop and are considerably less expensive than Lauder's other brands.

Charles of the Ritz, in response to the recession, is trying to attract a broader customer base by taking a strong price/value position this spring with its new Ritz Express cosmetics and treatment line. Magazine ads, created by Tarlow Advertising, New York, promote prices in the $8 to $15 range.

"It's a minimalist approach with regard to the number of products used, the packaging and the affordable, pared-down prices," says Holly Clothier-Mercer, VP-marketing, Charles of the Ritz. "We're offering the consumer a different point of view that heretofore she's not had in the department store."

The moves by Lauder and Revlon's Charles of the Ritz are significant, industry experts say, and likely will influence other marketers to follow suit.

"You can't just repackage a line to reflect a recession," says consultant Allan Mottus of Mottus & Associates. "But it would serve [marketers] well to look at price/value" positionings.

John Horvitz, a principal in the Horvitz & Appel Associates consultancy, believes retailers and prestige marketers should develop programs that ensure brand loyalty, such as creating preferred customer lists, frequent-customer clubs and telemarketing.

Marshall Field's is building customer lists by placing "bounce back" cards over page ads in *Chicago* for Prescriptives and Shiseido. The cards invite consumers to visit those counters for a free sample.

"The key was the customer had to bring the card back to the store herself to get the sample; she couldn't mail it in," says Sandra Jaffa, New York regional manager for *Chicago* and *Texas Monthly*.

A similar promotion for Estee Lauder that ran last year in *Texas Monthly* posted a 2.5% response rate from insertion of 300,000 cards. Ms. Jaffa says between 50% and 90% of consumers returning the cards were new customers.

"Despite all the bad news, the opportunity exists to make [cosmetics] departments look more like perfumeries or boutiques, make the atmosphere more soft-sell and less intimidating," says Wendy Liebmann, president of WSL Marketing, a retail consultancy. "No woman wants to be spritzed anymore. She wants to feel she's in a special place, seeing things she doesn't see elsewhere."

Industry consultants believe prestige marketers in the '90s will become more choosy in determining which retailers will carry their lines.

"The key [for the marketer] is to limit the number of brands and devote greater attention to those brands," says Dorothy Foster, president of consultancy DCF International. "When every department store has the same merchandise, it then becomes a matter of who's offering the better deal. That's not the way to build business anymore." □

*Laurie Freeman is a free-lance writer based in Ann Arbor, Mich. Pat Sloan in New York contributed to this story.*

Illustrations by Richard Sparks

# NOTE

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March 11, 1991

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# Advertising Age

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## Nets get shock in FCC battle

**By Steven W. Colford and Joe Mandese**

WASHINGTON—The Federal Communications Commission will end one of the most controversial chapters in its history this week by revising regulations that restrict the Big 3 TV networks' ability to produce and sell programming.

But network executives now fear the commission majority on March 14 will come down on the studios' side, allowing liberalized though limited rights. Early last week, it was widely believed the majority would come down solidly on the side of the networks.

That switch "was a stunning shock to most people," said a high-level network executive.

At stake for the networks: an opportunity to share in the estimated $5.4 billion global syndication market, now dominated by studios and syndicators.

Trapped between the factions in the decadelong battle has been the advertising industry, loath to alienate either the networks or the studios by choosing sides.

There are pluses and minuses for advertisers, said Joe Ostrow, worldwide media director for Foote, Cone & Belding Communications, New York.

"The upside is that . . . if the networks get another revenue stream coming out of their programming activities, that will

*(Continued on Page 40)*

## Coke's $100M blast

### Mini-CDs star in huge summer promotion

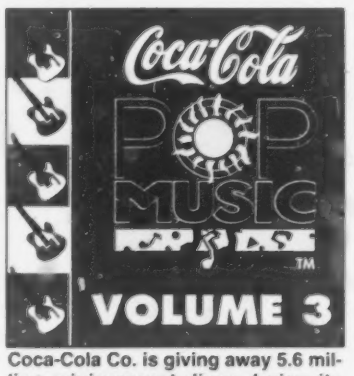
**By Alison Fahey**

In one of the biggest promotions ever to hit the cola wars, Coca-Cola USA will invest an estimated $100 million in a "Pop Music" program tied in with Sony Music.

Advertising will be an integral part of the summerlong effort, in which the Sony recording artists featured on compact disc giveaways might appear in TV commercials.

"Pop Music" will be backed by the "most comprehensive" ad campaign Coca-Cola has ever used to support a promotion, said Steve Koonin, director of entertainment marketing and national promotions.

"We are looking at using some of the artists involved in the promotion in our advertising," he said.




**Coca-Cola Co. is giving away 5.6 million minicompact discs during its "Pop Music" summer promotion with Sony Music.**

Pepsi-Cola Co. is also gearing up for a summer promotional blitz, which one source said involves a musical tie-in.

Gary Gerdemann, a Pepsi spokesman, wouldn't provide details, saying, "We traditionally do some great things during the summer, and this will be no exception."

Coca-Cola's promotion will offer 5.6 million minicompact discs inside specially marked multipacks of Coca-Cola Classic, Diet Coke and Sprite.

Nineteen acts star on four different CDs, which include music ranging from country to rap.

In addition to the CDs, some 100 million certificates redeemable for audiocassettes with $1 will be included in the multipacks. Every specially marked multipack will contain either a CD or certificate offer.

Fifty or so Sony acts are fea-

*(Continued on Page 38)*

CYNTHIA WATSON

## McDonald's takes nip at supermarkets

**By Scott Hume**

Battling to rebuild domestic sales, McDonald's Corp. is signaling a willingness to take on supermarkets and convenience stores.

In one restaurant in Bloomington, Minn., the fast-food leader is testing McExtras, a refrigerated case containing such basic grocery items as milk, eggs, bread and margarine for sale at the counter or drive-through.

The feature is intended to meet the competition posed by convenience and grocery stores, both of which are increasing their sales of prepared foods and which now account for more than 20% of the takeout market.

At the same time, McDonald's is protecting its flank in the restaurant industry by opening the first of several planned double drive-through restaurants.

The unit, in Raleigh, N.C., is less expensive to build and operate than a standard McDonald's, has no counter or seating and sells a limited menu through two tandem drive-through windows on the same side of a preparation/cashier building.

The double drive-through concept has already caught the eye of fast-food rivals

**"McDonald's really has always thought of the competition as anyone who sells food. They're looking to . . . get a greater share of the overall food dollar. . . ."**

PepsiCo, whose Taco Bell subsidiary bought the Hot'n Now chain, and Arby's, which acquired the Daddy-O's Express Drive-Thru chain as a second concept for its franchisees.

Both tests represent possible solutions to some of the problems faced by McDonald's, which has seen domestic real per-store sales

*(Continued on Page 38)*

## LAST MINUTE NEWS

### Next seeks shop

REDWOOD CITY, Calif.—Next Inc. plans to conduct a review after Ammirati & Puris, New York, resigned the computer workstation marketer's $2 million-plus account. Ammirati cited a conflict with Nikon's electronic imaging technology. The agency picked up Nikon's $12 million to $15 million account in December.

### Wella goes with BBDO

DARMSTADT, Germany—Wella named BBDO Europe to handle the haircare giant's consolidated $53 million pan-European account, BBDO executives said. Wella executives Friday wouldn't confirm the win, saying no contract has been signed yet. The business, to be consolidated gradually, had been split among several shops *(see earlier story on Page 22)*. BBDO is expected to have to resign two rival haircare accounts, Schwarzkopf's $15 million German account and the $20 million Alberto-Culver business in the U.K.

### 'Esquire' publisher leaves

NEW YORK—Hearst Corp.'s *Esquire* is looking for a new publisher following

*(Continued on Page 8)*

## INSIDE

**Marketers welcome home troops from Persian Gulf**

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**State ad-tax threats grow** P. 3 • **'Ad Age's' magazine of the year: 'Conde Nast Traveler'** after P. 20

# The Standard In Quality.

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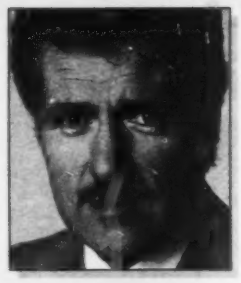

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# NEWS SUMMARY

■ **Coca-Cola USA** will invest an estimated $100 million in a summerlong "Pop Music" program tied in with Sony Music. **1**

■ **McDonald's** is testing McExtras, a refrigerated case containing basic grocery items for sale at the in-store counter and at the drive-through. **1**

■ **Federal Communications Commission** will announce this week new regulations covering the right of networks to produce and sell their own programming. **1**

■ **Young & Rubicam** closed its TV production division. **3**

■ **Upfront TV buying** got off to an early start last week with deals involving syndicated children's programming. **3**

■ **Kraft General Foods** will be the exclusive food supplier in certain categories for American Airlines in-flight service, with plans for a yearlong merchandising program. **3**

■ **Ad taxes** are under consideration in at least six states, the American Advertising Federation said. **3**

■ **Car companies** and airlines are among many marketers making special offers to returning Gulf troops. **4**

■ **Network TV ad spending** was up 6% last year, but the top 10 advertisers increased spending by 14%, according to Broadcast Advertisers Reports. **4**

■ **Academy Awards telecast** on ABC-TV March 25 is expected to be a good showcase for advertisers because it airs just a month after the Persian Gulf War. **6**

■ **Newsweek** and Meredith Corp. have formed an ad sales partnership, with Kmart Corp. already signed on. **6**

■ **Dr. David Kessler,** new commissioner of the Food & Drug Administration, warned of a get-tough attitude toward drug advertising and promotion. **16**

■ **Host International** has begun a chain of Cheers bars, replicating the set of the hit NBC-TV show. **16**

■ **U.S. brewers** see new products as having the greatest growth potential, prompting a number of new labels. **16**

■ **Wella,** the world's No. 2 haircare marketer, is developing pan-European brands to compete with well-established rivals in the coming single European market. **22**

■ **Chiat/Day/Mojo** shuffled its management and cut down its staff and client list in Australia. **22**

■ **Cannes** ad film festival judging rules were changed to minimize lobbying and favoritism by judges and entrants. **31**

■ **Allure** magazine will get some fine-tuning, Conde Nast Publications said following mixed reviews of its premiere March issue. **35**

■ **CBS CEO Laurence Tisch** and his family plan to underwrite $7.8 million in Saatchi & Saatchi Co. stock. Some 200 Saatchi executives are also buying in. **39**

■ **Burger King** said it anticipates no agency changes following the resignation of its top marketing executive, but a number of agencies plan to pursue the business. **41**

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# Marketers welcome home troops

## Promos help say 'thanks'

**An Advertising Age roundup**

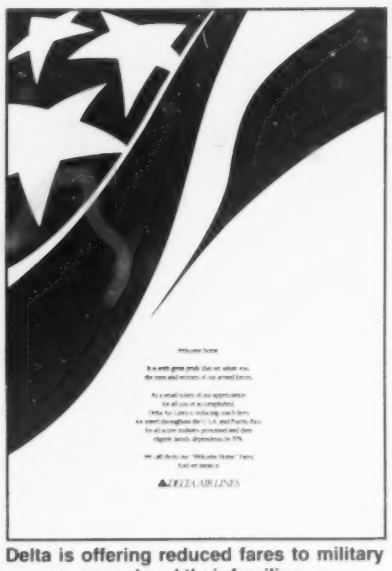
Airline, automobile and hotel marketers last week seized the lead in publicly welcoming U.S. troops home from the Persian Gulf and offering them free gifts and services.

Delta Air Lines was the first carrier to offer special 70% discount fares to all military personnel and their dependents, after which other airlines quickly matched the promotion.

Delta launched its "Welcome Home" fares to all active military personnel and their dependents. The offer provides round-trip travel at prices 70% below regular coach fares to more than 230 cities in the U.S., Hawaii, Alaska and Puerto Rico, through Sept. 30, 1991.

America West Airlines said it would give every military passenger on the carrier's charter flight home from Saudi Arabia two free round-trip tickets anywhere it flies in the U.S.

The airline is also offering special "Thanks" fares to all military personnel and their dependents at 70% discounts off regular prices. Continental Airlines went so far as to paint two 10-foot-high yellow ribbons on two Boeing 747 jets used to transport service members back from Operation Desert Storm. The airline is also offering the 70% discounts on its "Yellow Ribbon" fares.




Delta is offering reduced fares to military personnel and their families. . . .

Trans World Airlines matched the special military promotion with its "Yellow Ribbon-Patriot" fares.

United Airlines offered families the discounts of up to 70% off coach fares on continental U.S. flights.

United last week also announced it would extend a continental U.S. 70% discount for military personnel to Hawaii as part of a program with the state of Hawaii to boost Hawaiian tourism.

Northwest Airlines, along with the 70% U.S. fare cuts, is offering a 25% discount to families and friends of servicemen on travel to Frankfurt to meet with loved ones.

**Marketers are putting out the welcome mat for U.S. troops returning from the Persian Gulf. Soldiers will find deals on airfares, cars and hotel stays.**

The automakers aren't far behind the airlines in honoring the troops.

General Motors Corp. is exploring a number of special programs to honor returning GM employees, and U.S. servicemen generally. One report, later denied, had the company offering a special purchase incentive for its 350 reservists called to active duty during the Gulf crisis.

Also, GM and the United Auto Workers are jointly sponsoring a TV commercial saluting U.S. troops, and the men and women of GM and the UAW who were called to military duty during the Middle East crisis.

The 30-second spot, which will air in a total of 20 markets through March 23, broke last week in Detroit.

Ford Motor Co. is offering all U.S. servicemen and women on active duty in any branch of the military worldwide a discount on any 1990-1992 Ford and Mercury-branded vehicles. It's not limited to those who served in the Persian Gulf, a Ford spokesman said.

The discount—4% above dealer cost—also is being offered to immediate families of those on active duty in the military. The program runs from March 1 to Dec. 31. Those who qualify for the discount, but purchased cars before the program became known to dealers, will get a rebate check equal to the price difference, the spokesman said.

"We estimate that there are ~ million military people who qualify for this," he added. "This is Ford's way of saying thanks for a job well done."

Chrysler Corp. last December began offering $500 rebates to servicemen and women serving in the Gulf and their families. Chrysler is running that program through May.

Toyota Motor Sales USA doesn't have any corporate promotions to returning military personnel, but local dealers have their own programs. One Georgia dealer created a Valued Military Personnel program, which gives a 15% discount on parts, service and rental cars to members of the armed forces and their families.

Hotels aren't far behind other marketers in the postwar scramble.

Sheraton Corp. is offering a weekend night stay in the continental U.S. to U.S. military personnel returning from the Gulf war. The "Sheraton R&R Weekend Night" offer is valid April 12 through March 8, 1992.

A "major marketing promotion" for the troops was set to be implemented today by Hilton Hotels Corp. but was only in its "formative stages" by midmorning Friday, said James Boyd, media relations coordinator. He declined to divulge details.

Westin Hotels & Resorts is giving a 75% discount to all military personnel at the Walt Disney World Swan hotel after concluding it would be difficult to sort out only troops returning from the Persian Gulf, said David Jimenez, a Westin spokesman.

WELCOME HOME
This one's on us.
Many of the military personnel serving in the Persian Gulf have left vehicles standing at home for six months or more. Those cars and light trucks now may need an oil change.
As a measure of our pride in America,
we will change the oil, provide a new filter and lubrication service,
free of charge,
at one of our 1550 Firestone Tire & Service Centers.
Just call your neighborhood Firestone Store
for an appointment by December 31, 1991.
Again, WELCOME HOME!
Firestone
FIRESTONE TIRE & SERVICE CENTERS

. . . While Firestone is offering free services for the autos they left behind.

Disney will offer free admission to each returning veteran and a guest at Disneyland and Disney World's Magic Kingdom through Veterans' Day, Nov. 11, as well as discounted resort packages at Disney World.

Disney is promoting the offers through military bases.

In addition, Disney World's daily Zip-a-Dee Doo-Dah parade will soon be led by a new, patriotic float. The park in May will begin staging several patriotic shows, including red, white and blue fireworks.

Marriott Corp. is continuing a program it announced Feb. 19 to provide free hotel rooms for the families of U.S. servicemen and women injured in the war.

Marriott will continue the project at

*(Continued on Page 8)*

# Top TV advertisers beef up spending

**By Joe Mandese**

NEW YORK—The top 10 network TV advertisers increased total spending by 14% last year to about $3.2 billion, according to new data from Arbitron Co.'s Broadcast Advertisers Reports.

The increase from 1989 figures came during a year when total network ad spending increased only 6%, indicating a consolidation of spending power among the top 10.

The data also showed the top 10 increased their share of network TV ad spending by 2.2 percentage points to 31.4% of the $10.2 billion spent by all advertisers.

That consolidation of buying clout is noteworthy because the number of marketers using network TV actually increased 4.3% to 633 in 1990. That number had been declining since 1986.

The leading network TV advertiser, General Motors Corp., outpaced the medium's growth average by raising its outlays 18% to $598.4 million.

That put GM at nearly a 6% share of all network spending. Not far behind was No. 2 Procter & Gamble Co., which boosted its network budget 24% to $557.6 million.

AT&T Co. posted the biggest increase of a top network advertiser—up 51% to $244.9 million, largely due to a 53.8% increase in prime-time spending to $157.6 million and a 470.5% increase in daytime to $13.6 million.

GM increased spending in prime time by 18.5% to $417.1 million and in daytime by 99.1% to $20.9 million.

P&G, the No. 1 daytime advertiser, hiked daytime spending 11.1% to $190.2 million but boosted primetime spending 28.5% to $287.0 million and Saturday/Sunday daytime 109.2% to $31.2 million.

The most notable declines in network TV were Unilever U.S., down 14% to $162.9 million, and Anheuser-Busch Cos., down 29% to $129 million. The companies ranked No. 15 and No. 19, respectively, in network advertising.

Both Warner-Lambert Co. (No. 24) and Coca-Cola Co. (No. 25) were down 10%, to $91.1 million and $88.9 million, respectively, but each company appreciably increased spending in national syndication and national spot TV.

Warner-Lambert boosted syndication 96% to $48.4 million and its spot TV 52% to $35.9 million.

Coca-Cola raised syndication 85% to $34.1 million and spot TV 10% to $75 million. □

## Network TV's top advertisers

The top 25 in spending for 1990.

| Rank | Company | Spending (millions) | % chg from '89 |
|---|---|---|---|
| 1 | General Motors Corp. | $598.4 | 18.1 |
| 2 | Procter & Gamble Co.* | $557.6 | 24.4 |
| 3 | Philip Morris Cos. | $402.2 | 9.1 |
| 4 | Kellogg Co. | $301.3 | (7.2) |
| 5 | AT&T Co. | $244.9 | 50.5 |
| 6 | Sears, Roebuck & Co. | $244.6 | 30.5 |
| 7 | McDonald's Corp. | $231.0 | (8.4) |
| 8 | Johnson & Johnson | $211.4 | 24.4 |
| 9 | Ford Motor Co. | $196.9 | (2.2) |
| 10 | PepsiCo | $193.4 | 14.6 |
| 11 | Chrysler Corp. | $190.0 | 35.2 |
| 12 | Grand Metropolitan | $183.1 | 23.5 |
| 13 | Toyota Motor Sales Co. | $170.9 | 54.2 |
| 14 | Kohlberg Kravis Roberts & Co.† | $168.3 | 1.1 |
| 15 | Unilever U.S.* | $162.9 | (14.3) |
| 16 | American Home Products* | $150.5 | (3.7) |
| 17 | General Mills | $142.9 | (1.5) |
| 18 | Bristol-Myers Squibb Co. | $130.2 | (2.7) |
| 19 | Anheuser-Busch Cos. | $129.0 | (28.9) |
| 20 | Nissan Motor Corp. | $125.8 | 71.3 |
| 21 | Honda Motor Co. | $119.0 | (17.8) |
| 22 | Eastman Kodak Co. | $116.5 | (15.3) |
| 23 | Nestle SA* | $98.0 | 8.9 |
| 24 | Warner-Lambert Co. | $91.1 | (9.6) |
| 25 | Coca-Cola Co. | $88.9 | (10.1) |

Biggest advertisers by category.

| Category | Spending (millions) | % chg from '89 |
|---|---|---|
| Automotive | $1,781.3 | 19.5 |
| Food & food products | $1,704.0 | 1.1 |
| Toiletries & toilet goods | $943.6 | 11.1 |
| Proprietary medicines | $816.8 | 6.5 |
| Consumer ser[illegible] | $524.9 | 20.2 |
| Confectionery & [illegible]ft drinks | $407.1 | (7.5) |
| Soaps, cleansers & polishes | $317.0 | (0.5) |
| Beer & wine | $293.5 | (19.3) |
| Apparel, footwear & accessories | $276.8 | 3.0 |
| Household equipment & supplies | $244.7 | (3.0) |
| Insurance | $172.4 | 9.3 |
| Miscellaneous | $151.3 | 6.0 |
| Computers, office equip. & stationery | $149.2 | (6.2) |
| Travel, hotels & resorts outside U.S. | $146.2 | (13.6) |
| Sporting goods & toys | $137.6 | 9.2 |
| Jewelry, optical goods & cameras | $127.4 | 14.7 |
| Pet foods & supplies | $104.1 | (22.3) |
| Home electronics equipment | $85.0 | 51.5 |
| Building materials, equip. & fixtures | $72.3 | (13.6) |
| Freight & industrial development | $55.3 | (1.9) |
| Household furnishings | $52.6 | (25.6) |
| Gasoline, lubricants & other fuels | $38.9 | 1.8 |
| Horticulture | $36.1 | (6.2) |
| Publishing & media | $28.5 | (53.5) |
| Religious, political & unions | $9.0 | (14.8) |

*1989 data adjusted to reflect mergers, acquisitions, divestitures in 1990. †Owner of RJR Nabisco.
Source: Television Bureau of Advertising from Arbitron data in the top 75 markets.

# McExtras

(Continued from Page 1)
averages decline for 10 consecutive quarters, according to Prudential Securities.

Those problems include the growth of at-home eating, to which competitors such as Domino's Pizza and Pizza Hut are responding; increased takeout food sales at convenience and grocery stores; scarcity of prime sites for full-scale restaurants; and labor shortages in some markets.

"McDonald's really has always thought of the competition as anyone who sells food," but they're acting on that differently now, said Henry D'Auria, restaurant analyst at PaineWebber. "They're looking to see if they can get a greater share of the overall food dollar through their stores.

"The double drive-through test also is a way to see how you provide that convenient, prepared meal at the lowest cost. They're following where consumer dollars are going."

One part of McDonald's push to rebuild domestic sales has been its continual testing of a wide variety of possible new menu items. These include pizza (to counter pizza chains), submarine sandwiches (to meet the growth of Subway Sandwiches and others), McFish Fry and Fish & Chips (countering Long John Silver's, Captain D's Restaurant and others), and burritos and fajitas (in response to Taco Bell and Mexican dinnerhouses).

But other restaurants aren't McDonald's only competitors and may not be its toughest challenge.

McDonald's has proved it can respond to and often thwart the challenges restaurant rivals throw in its way, but convenience stores and supermarkets pose a different problem.

Restaurants account for the majority of the total market for prepared takeout foods, representing 78.1% of the $63.5 billion market in 1989, according to market researcher Find/SVP. But that's been dropping, from 80.4% in 1986. This year it's projected to hit 77.6%.

Gaining share at restaurants' expense are convenience stores (9.2%) and supermarkets (12.7%).

Find/SVP projects the takeout market will grow to $88.7 billion in 1994, and supermarkets' share will increase to 16.5% then, at the expense of restaurants.

With McExtras, McDonald's is testing whether it can recapture customers it may have been losing to those non-restaurant competitors.

At its counter or drive-through windows, customers can buy milk, eggs, yogurt, bread, buns or margarine, as well as standard fare. Those groceries are displayed inside the restaurant in a refrigerated case near cashiers. Indoor and outdoor signage promotes the feature as "Groceries on the go."

Co-op agency Carmichael Lynch, Minneapolis, created the collateral materials, but an undisclosed amount of McDonald's corporate marketing funds has been channeled to the store to underwrite the project.

McExtras was added to the store in late January.

"This is really in its infancy. It hardly even qualifies as a test," said Joe Talcott, VP-management supervisor at Carmichael Lynch. The idea, he said, is that customers "can order a Big Mac and a half-gallon of milk."

The restaurant McDonald's chose for the McExtras feature is flanked by a PDQ convenience store and Country Club Market grocery store.

The Raleigh double drive-through is 1,212 square feet, less than a third the size of the average 4,500-square-foot outlet, and requires a total staff of 35, compared with the average of 65.

The menu has been simplified, excluding salads, breakfast entrees such as pancakes and some other items.

What it does have is hot dogs, standard fare at many convenience stores, as well as other test items such as curly french fries (a big seller at Southeast rival Hardee's Food Systems).

Local radio and signage for that store are themed "Driving it home." Price/McNabb, Raleigh, handles.

"McDonald's corporate challenged each region to come up with a drive-through concept. We were the first to get ours built, but other regions will follow," said Bill Hooks, regional construction engineer for McDonald's.

Louisiana and Michigan could get the next units, he said. □

*Bob Geiger contributed to this story.*

# Coke

(Continued from Page 1)
tured on the audiocassettes.

McCann-Erickson Worldwide, New York, the agency for Coca-Cola Classic, is handling ad support for "Pop Music," which Coca-Cola created in-house.

Mr. Koonin declined to disclose the overall budget for the promotion, but sources close to the company estimate it will cost about $100 million, with $20 million slated for media ad support.

The campaign ~~will~~ include cable and network TV, radio, print and point-of-purchase materials. The total effort will look as "fresh and hot" as the promotion itself, Mr. Koonin said.

TV support is set to break May 20.

The artists on the CDs, mostly up-and-comers, include Latin singer George LaMond, pop/soul artist Brenda K. Starr, Canadian pop singer Celine Dion, and Grammy Award-winners Shawn Colvin and Rosanne Cash.

Coca-Cola often uses music stars in its advertising. The company has featured country star Randy Travis, pop icon Elton John and teen group New Kids on the Block, to name a few.

The company said a music tie-in is a natural fit for Coca-Cola since music appeals to the youth market, the primary target for soft drinks and for No. 1 brand Coca-Cola Classic in particular.

"Pop Music" will follow Coca-Cola's highly controversial Magi-Can promotion of last summer. That promotion went sour when some of the cans containing cash and coupons malfunctioned.

"Pop Music" is the latest sign soft-drink marketers are moving away from price promotions, said Jesse Meyers, editor-publisher of *Beverage Digest*.

Value-added promotions "seem to be the new wave of soft-drink marketing," he said. "This is another value-added concept that is moving the industry away from reducing prices."

Mr. Meyers cited the failed Magi-Can promotion and Coca-Cola's "Toy Money" tie-in with Mattel as other examples of the trend.

**"This is another value-added concept that is moving the industry away from reducing prices."**

During "Pop Music," which runs from mid-May through July, one of every 19 specially marked multipacks will include a free 3-inch CD, which is compatible with most CD players. Each CD is a $4.99 value.

Coca-Cola said it would consider rolling out "Pop Music" abroad if it proves successful in the U.S.

Coca-Cola is the leader in the $46.6 billion U.S. soft-drink market with an estimated 41% share; No. 2 Pepsi-Cola has about 33%. □

*Jon Lafayette contributed to this story.*

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# Upfront

(Continued from Page 3)
of the kids market.

"I think there is more talk than action going on," he said. But he added he had some deals "working."

"This business is so teeny that it could be a trickle of business today [March 7] and by Monday morning [March 11] it could be sold out," he said.

Whether the syndication activity will encourage early network kids business isn't clear; the networks won't announce their Saturday morning schedules until early April.

Even so, net executives were optimistic about the market overall.

"I can't say there's nothing going on," said Larry Hoffner, NBC exec VP-network sales. He said that last week he was in earnest discussions about early upfront deals with "nine to 12" clients.

Of the Big 3 networks, NBC appears the most eager to stir interest in upfront deals.

Over the past month, the network said it might reduce commercial inventory and that it was returning to the traditional audience guarantee system (AA, March 4).

But agency buyers said all the networks are open to discussing early deals, particularly in light of softness in the scatter market.

While second-quarter scatter rates have improved slightly over those in the first quarter, they still remain substantially below last year's upfront. Moreover, buyers report that the networks are continuing the unusual practice of guaranteeing scatter buys.

Both are signs of network weakness, and buyers believe now is the time to cut deals at potentially favorable prices rather than wait until late spring, the traditional time for the upfront market to move. □

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